

Message Text

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SUBJ: SPEECH OF ECONOMIC COORDINATION MINISTER ON
PRIVATE SECTOR AND FOREIGN INVESTMENT

SUMMARY: IN AN ADROIT JULY 4 PERFORMANCE BEFORE THE AMERICANCLUB OF LISBON --HIS FIRST APPEARANCE BEFORE A FOREIGN BUSINESSMEN'S GROUP-- MINISTER OF ECONOMIC COORDINATION VIEIRA DE ALMEIDA GAVE ASSURANCES THAT FOREIGN INVESTORS WOULD BE WELCOME IN PORTUGAL AS LONG AS THEY OBEY THE RULES AND COPPERATE WITH THE GOVERNMENT. HE EMPHASIZED THE IMPORTANCE OF THE PRIVATE SECTOR IN THE PORTUGUESE ECONOMY BUT UNDER THE SAME KIND OF CONTROLS PRACTICED IN OTHER WEST EUROPEAN COUNTRIES. ALLUDING TO COMPREHENSIVE ECONOMIC LEGISLATION EXPECTED EARLY NEXT WEEK, ALMEIDA ENCOURAGED HIS LISTENERS NOT TO GIVE CREDENCE TO RUMORS (E.G., THAT NATIONALIZATION IS IOAS EUP#AND

LET THE LAWS SPEAK FOR THEMSELVES. MANY IN THE AUDIENCE, WHILE IMPRESSED WITH THE MAN AND PLEASED WITH THE POSITIVE TONE OF HIS REMARKS, ARE IN FACT RESERVING JUDGEMENT ABOUT THE GOVERNMENT'S INTENTIONS UNTIL THE LAWS APPEAR. END SUMMARY.

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1. AFTER BRIEFLY DESCRIBING THE "DETERIORATING ECONOMY"

INHERITED BY THE NEW GOVERNMENT, ALMEIDA SET FORTH ITS SHORT-TERM PRIORITIES: HIGH EMPLOYMENT, INCREASED INVESTMENT, CURBING OF INFLATION, AND ATTAINING AN "ECONOMIC TAKE-OFF". ADMITTING THAT THE SEPARATE SOLUTIONS USUALLY PRESCRIBED FOR THESE PROBLEMS CONFLICT, HE SAID THAT THE GOVERNMENT WOULD CONCENTRATE ON EXPANSION AND INCREASED PRODUCTIVITY TO TEMPER ITS INFLATIONARY ILLS. IN FIGHTING INFLATION THE GOVERNMENT WILL NOT ALLOW RISING UNEMPLOYMENT AND WILL NOT DECREASE

CREDIT OR PUBLIC EXPENDITURES BUT WILL INSTITUTE A NEW SYSTEM OF PRICE CONTROLS. INTERNATIONALLY, PORTUGAL WILL CONTINUE TO STRENGTHEN ITS ECONOMIC TIES WITH WESTERN EUROPE.

2. AS FOR THE PRIVATE SECTOR GENERALLY, ALMEIDA SAID THAT IT WILL HAVE AN IMPORTANT ROLE TO PLAY IN THE DEMOCRACY ENVISAGED BY THE ARMED FORCES MOVEMENT (MFA). HE CAUTIONED, HOWEVER, THAT PRIVATE ENTERPRISES WOULD HAVE TO "FOLLOW THE RULES" AND "COOPERATE WITH THE GOVERNMENT" AND INDICATED THAT THE GOVERNMENT RESERVED THE RIGHT TO INTERVENE WHEN THE PRIVATE SECTOR WAS NOT DOING A GOOD JOB. THE GOVERNMENT EXPECTS DISCIPLINE FROM MANAGEMENT AS WELL AS LABOR AND WANTS PRIVATE INVESTMENT TO BE FORTHCOMING WITHOUT WAITING FOR OFFICIAL PRESSURE. WHILE NOTING THAT THE ECONOMY CANNOT TOLERATE A GREATLY INCREASED WAGE BILL, HE ALSO EMPHASIZED THAT BUSINESSMEN CANNOT EXPECT A RETURN TO THE UNREALISTICALLY LOW WAGES THAT PREVAILED BEFORE THE REVOLUTION.

3. RE FOREIGN INVESTMENT, ALMEIDA SAID THAT IT WOULD BE WELCOME UNDER "NORMAL CONDITIONS PREVAILING IN WESTERN EUROPE". THE GOVERNMENT, WHICH INTENDS TO INTRODUCE NO NEW RESTRICTIONS ON FOREIGN INVESTMENT, WILL COOPERATE AS LONG AS SUCH INVESTMENTS FOLLOW THE RULES APPLICABLE TO THE DOMESTIC PRIVATE SECTOR. AS AN EARNEST OF THE GOVERNMENT'S FAVORABLE ATTITUDES, ALMEIDA ANNOUNCED THAT RED TAPE IS BEING MINIMIZED SO THAT IN THE FUTURE FOREIGN INVESTORS CAN EXPECT A SINGLE

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GOVERNMENT DECISION INSTEAD OF THE MULTIPLE APPROVALS NOW REQUIRED.

4. IN ANSWERING QUESTIONS ALMEIDA DISCOUNTED RUMORS THAT THE GOVERNMENT INTENDED LARGE SCALE NATIONALIZATION OF PRIVATE FIRMS AND APPEALED TO HIS AUDIENCE TO AWAIT THE APPEARANCE EARLY NEXT WEEK OF COMPREHENSIVE ECONOMIC LAWS "WHICH WILL SPEAK FOR THEMSELVES". WHILE HE COULD

NOT, HE SAID, REVEAL DETAILS OF THESE LAWS NOW, HE SUGGESTED THAT THEY WOULD PROVIDE THE REASSURANCES BUSINESSMEN HAVE BEEN SEEKING. REFERRING TO LABOR DIFFICULTIES EXPERIENCED BY MANAGEMENT, ALMEIDA ASKED FOR FOREBEARANCE AND UNDERSTANDING INASMUCH AS IT WILL TAKE TIME TO TEACH RESPONSIBLE DEMOCRACY TO PEOPLE WHO LEARNED NOTHING ABOUT IT UNDER 48 YEARS OF THE PREVIOUS REGIME.

5. COMMENT: ALMEIDA CLEARLY SET OUT TO REASSURE BUSINESSMEN, FOREIGN AND DOMESTIC, AND HIS APPEARANCE BEFORE AN AMERICAN GROUP, WHOSE FEARS AND PROBLEMS HE IS WELL AWARE OF, WAS NO COINCIDENCE. ENTHUSIASM ACCORDED THE MINISTER DURING AND AFTER HIS SPEECH INDICATES THAT THIS OBJECTIVE AS AT LEAST PARTIALLY ACCOMPLISHED. MANY IN THE AUDIENCE, HOWEVER, WHILE WANTING TO BE REASSURED, REMAINED SKEPTICAL. NOTING THAT ALMEIDA CONDITIONED HIS WELCOME OF FOREIGN INVESTMENT ON COMPLIANCE WITH RULES AND CONTROLS, THEY PARTICULARLY WANT TO KNOW MORE ABOUT WHAT THESE RESTRAINTS CONSIST OF. THEY ARE HOPEFUL THAT THE LAWS PROMISED FOR EARLY NEXT WEEK WILL BRING THE CLARIFICATIONS THAT WILL DISPEL THEIR STILL CONTINUING DOUBTS.
SCOTT

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